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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 23, 2002

JOINT PETITION OF
PHILADELPHIA SUBURBAN CORPORATION

and

CASE NO. PUE-2002-00521

AQUASOURCE, INC.

For approval under the Utility
Transfers Act (§§ 56-88 et seq.
of the Code of Virginia)

ORDER FOR NOTICE AND COMMENT
AND EXTENDING TIME FOR REVIEW

On October 4, 2002, Philadelphia Suburban Corporation ("PSC") and AquaSource, Inc. ("AquaSource") (collectively, the "Petitioners"), filed a joint petition with the State Corporation Commission ("Commission") requesting approval, pursuant to § 56-88.1 of the Code of Virginia ("Code"), for the acquisition by PSC and the disposition by AquaSource of the stock of AquaSource Utility, Inc. (the "Utility"), pursuant to a Purchase Agreement dated July 29, 2002.

The Utility is a wholly owned subsidiary of AquaSource, and the proposed acquisition will, therefore, result in the indirect transfer of control of public utilities owned by Utility or its Virginia subsidiaries. The Utility owns, directly or indirectly, certificated utility companies regulated by the

Commission¹ and other companies that provide water and wastewater service in Virginia² (collectively, the "Virginia Utilities"). The Petitioners state that, if approved, ultimate ownership and control of the Virginia Utilities will rest with PSC rather than DQE, Inc. ("DQE").³ The Petitioners also represent that the proposed transaction will have no immediate effect on the rates charged or service provided by the Virginia Utilities.

NOW THE COMMISSION, having considered the matter, is of the opinion that public notice should be given, interested persons should be provided with an opportunity to comment and request a hearing, and the Commission Staff should file a report detailing the results of its review of the above-captioned petition.

Pursuant to § 56-88.1, the Commission has sixty (60) days in which to approve or disapprove such petition and may extend that time for a period not to exceed an additional one hundred

¹ The certificated companies are as follows: Alpha Water Corporation, AquaSource SL, Inc., AquaSource Utility-Virginia, Inc., Blue Ridge Utility Company, Caroline Utilities, Inc., Earlysville Forest Water Company, Heritage Homes of Virginia, Inc., Indian River Water Company, James River Service Corporation, Lake Monticello Service Company, Land'Or Utility Company, Inc., Mountainview Water Co., Inc., Powhatan Water Works, Inc., Rainbow Forest Water Corporation, Reston/Lake Anne Air Conditioning Corp., Sydnor Water Corporation, and Water Distributors, Inc.

² The Petitioners state that Sydnor Hydrodynamics, Inc., and its subsidiary Ellerson Wells, Incorporated, and Mayfore Water Company, Inc., a subsidiary of Utility, each may be considered a "public utility" under §§ 56-88 et seq. of the Code. The Petitioners request approval for an indirect change in the control of these companies to the extent such approval is necessary.

³ DQE is a Pennsylvania based energy service company, which has as its largest subsidiary Duquesne Light Company.

twenty (120) days. We believe that additional time will be required for the Petitioners to provide notice and for Staff to complete its review of the matter. As such, we are of the opinion that sixty (60) days is not sufficient time in which to conclude a full investigation of the matter. It is, therefore, appropriate to extend the time period for review of issues under § 56-88.1 for a period of sixty (60) days from the original sixty (60) day time period, or through February 1, 2003.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to §§ 56-88.1 and 56-90 of Title 56 of the Code, this joint petition is hereby docketed and assigned Case No. PUE-2002-00521.

(2) The deadline for issuing a final Order in this proceeding is hereby extended for sixty (60) days, or through February 1, 2003.

(3) The Petitioners shall promptly make a copy of their joint petition and supporting materials available to the public, who may obtain a copy of the joint petition at no charge, by requesting it in writing from the Petitioners' counsel at the address set forth in Ordering Paragraph (6) below.

(4) On or before December 9, 2002, any interested person may file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, an original and fifteen (15) copies of comments on the

above-captioned joint petition and shall refer to Case No. PUE-2002-00521.

(5) On or before December 9, 2002, any person desiring a hearing in this matter shall file an original and fifteen (15) copies of a request for hearing with the Clerk of the Commission at the address set forth in Ordering Paragraph (4) above, and shall refer in his or her request to Case No PUE-2002-00521. Any request for hearing shall detail reasons why such issues cannot be adequately addressed in written comments.

(6) A copy of such comments and request for hearing shall simultaneously be sent to counsel for the Petitioners as follows: Anthony Gambardella, Esquire, Woods, Rogers & Hazlegrove, 823 East Main Street, Suite 1200, Richmond, Virginia 23219.

(7) On or before December 9, 2002, any person filing comments or request for hearing may also file with the Clerk of the Commission a notice of participation in accordance with Rule 80 B of the Commission's Rules of Practice and Procedure ("Rules"), 5 VAC 5-20-8- B. A copy of any notice of participation must simultaneously be sent to the Petitioners at the address set forth in Ordering Paragraph (6) above.

(8) The Commission Staff shall review the application and shall file with the Clerk of the Commission, on or before

December 19, 2002, an original and fifteen (15) copies of its report detailing the results of its investigation of the matter.

(9) On or before December 30, 2002, the parties and interested persons may file any response they may have to Staff's Report.

(10) The Petitioners shall respond to written interrogatories within seven (7) calendar days after receipt of the same. Except as modified above, discovery shall be in accordance with Part IV of the Rules.

(11) On or before November 12, 2002, the Petitioners shall publish the following notice as display advertising, not classified, once in newspapers of general circulation in the service territories of the Virginia Utilities.

NOTICE OF JOINT PETITION OF
PHILADELPHIA SUBURBAN CORPORATION
AND AQUASOURCE, INC.
CASE NO. PUE-2002-00521

On October 4, 2002, Philadelphia Suburban Corporation ("PSC") and AquaSource, Inc. ("AquaSource") (collectively, the "Petitioners"), filed a joint petition with the State Corporation Commission ("Commission") requesting approval, pursuant to § 56-88.1 of the Code of Virginia ("Code"), for the acquisition by PSC and the disposition by AquaSource of the stock of AquaSource Utility, Inc. (the "Utility"), pursuant to a Purchase Agreement dated July 29, 2002.

The Utility is a wholly owned subsidiary of AquaSource, and the proposed acquisition will result in the indirect

transfer of control of public utilities owned by Utility or its Virginia subsidiaries. The Utility owns, directly or indirectly, certificated utility companies that provide water or wastewater service in Virginia (hereinafter collectively the "Virginia Utilities"). The Petitioners state that, if approved, ultimate ownership and control of the Virginia Utilities will rest with PSC rather than DQE, Inc. The Petitioners also represent that the proposed transaction will have no immediate effect on the rates charged or service provided by the Virginia Utilities.

A copy of the above-referenced joint petition is available for inspection during regular business hours at the State Corporation Commission, Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. Interested persons may obtain a copy of the joint petition, at no charge, by requesting a copy in writing from the Petitioners' counsel at the address as follows: Anthony Gambardella, Esquire, Woods, Rogers & Hazlegrove, 823 East Main Street, Suite 1200, Richmond, Virginia 23219.

On or before December 9, 2002, any interested person may file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, an original and fifteen (15) copies of any comments and/or requests for hearing on the above-referenced petition. Requests for hearing shall state why a hearing is necessary and why such issues cannot be adequately addressed in written comments. Such comments and requests must refer to Case No. PUE-2002-00521. A copy of such comments or request for hearing must simultaneously be sent to the Petitioners at the address set forth above.

If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision based upon the papers filed in this proceeding.

A copy of the Order for Notice and Comment and Extending Time for Review may be obtained from the Clerk of the Commission. The text of the Order may be viewed at the Commission's website:
<http://www.state.va.us/scc/caseinfo/orders.htm>.

PHILADELPHIA SUBURBAN CORPORATION AND AQUASOURCE, INC.

(12) On or before November 12, 2002, the Petitioners shall forthwith serve a copy of this Order on the Chairman of the Board of Supervisors of any county and upon the Mayor or Manager of any county, city, or equivalent officials in counties, towns, and cities having alternate forms of government in the service territories of the Virginia Utilities. Service shall be made by first-class mail or delivery to the customary place of business or residence of the person served.

(13) On or before November 15, 2002, the Petitioners shall provide the Commission with proof of notice required in Ordering Paragraphs (11) and (12).